

Message Text

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ACTION EA-14

INFO OCT-01 EUR-25 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 L-03 H-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 AGR-20 RSR-01 /174 W

----- 084022

R 021022 Z MAY 73

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 6729

INFO AMEMBASSY KUALA LUMPUR

AMEMBASSY SINGAPORE

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMCONSUL MEDAN

AMCONSUL SURABAYA

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E. O. 11652: N/ A

TAGS: EGEN, ID, BEXP

SUBJECT: U. S. INVESTOR PROBLEMS IN INDONESIA

REFS: A) STATE 070554; B) PERREAULT/ RISAKOTA MEMCON 4/18/73
(NOTAL); C) JAKARTA 12285, 11/30 /72; D) JAKARTA 12240, 11/30/72
E) JAKARTA 12793, 12/13/72

1. SUMMARY: PAN AMERICAN AND WEYERHAEUSER CASES IN
TRANSITIONAL PERIOD. FORD HAS AGREED IN PRINCIPLE TO
MANUFACTURE FIERA HERE AND FORMAL NEGOTIATIONS
PLANNED FOR LATTER PART OF MAY. ALSO GENERAL MOTORS
ACTIVE. END SUMMARY

2. PANAM AND BALI LANDING RIGHTS. WHILE GOI CONTINUES
CLING TO ONE GATEWAY PRINCIPLE, WE ARE RELIABLY INFORMED
THAT IMPLEMENTATION IS BEING DELIBERATELY POSTPONED AT
LEAST UNTIL AFTER MARCH 1974 PACIFIC AREA TRAVEL ASSOCIA-
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TION (PATA) CONFERENCE IN INDONESIA. DURING RECENT VISIT OF AUSTRALIAN PRIME MINISTER WHITLAM, GOA AUTHORITIES WERE TOLD THAT IF AUSTRALIA DID NOT WISH REQUEST CONSULTATIONS ON AVIATION RIGHTS NOW, INDONESIA WOULD NOT SEEK THEM. GOA OF COURSE HAPPY TO LET MATTER LIE. BELIEVE WE WOULD BE WELL ADVISED TO DO SO ALSO. NEW MINISTER AWARE OF ECONOMIC RATIONALE ON WHICH (A) INTERNATIONAL AVIATION (B) TOURIST ORGANIZATIONS, AND (C) CONCERNED GOVERNMENTS OPPOSE THIS POLICY, BUT HE HAS HIS OWN DIFFICULT INTERNAL POLITICAL PROBLEMS TO SORT OUT. PRESENT SUSPENSION OF IMPLEMENTATION IS FAVORABLE SIGN. WE FEAR THAT TO RAISE ISSUE NOW WOULD BE MORE LIKELY TO ANTAGONIZE THAN HELP NEW MINISTER, WHO IN ANY EVENT NOT ATTENDING MAY IGGI MEETING. (FOREGOING APPRAISAL COORDINATED WITH AND CORRESPONDS TO THAT OF LOCAL (U. S. NATIONAL) PAN AM REP.).

3. WEYERHAEUSER: VP CHARLES BINGHAM PLANS TO RETURN TO INDONESIA IN JULY TOSZAKE PROPOSALS FOR MAJOR INVESTMENTS IN SAWMILL, AND POSSIBLY LATER IN VENEER AND OTHER PROCESSING. FIRM EXPECTS TO MAKE THESE PLANS CONDITIONAL ON GOI AGREEMENT TO RESOLVE BROAD ISSUES SUCH AS CIMPARABILITY OF TEX TREATMENT WITH OTHER MAJOR FORESTRY INVESTORS, STABILITY OF TAX TREATMENT, AND RESOLUTION OF LOCAL TAX PROBLEMS. MEANWHILE LOCAL REP ED STROH ATTEMPTING TO OBTAIN HEARING WITH NEW DEPUTY CHAIRMAN OF BAPPENAS, DR. SUMARLIN NEXT WEEK, ON WEYERHAEUSER PLANS AND PROBLEMS INCLUDING LOCAL TAX DIFFICULTIRES WHICH HAVE JUST REEMERGED. STROH VERY DISTURBED BY RECENT EVENTS. HE WILL PROVIDE STATEMENT OF CURRENT PROBLEMS FOR VASHIN TO BRING TO IGGI. WE UNDERSTAND SUHUD NOW IN EUROPE AND WILL BE ATTENDING IGGI SESSION. BARGER MAY WISH BRING LATEST DEVELOPMENTS TO SUHUD' S ATTENTION AND URGE THE GOI GIVE ATTENTION TO THIS MATTER WHICH AGAIN THREATENS TO BECOME SERIOUS IRRITANT. MEANWHILE EMBASSY WILL LEND ASSISTANCE AS APPROPRIATE TO STROH' S EFFORTS TO GAIN EARLY AND FULL HEARING OF PROBLEM FROM SUMARLIN. WE ANTICIPATE VP BINGHAM MAY CONTACT BARGER IN NEXT DAY OR TWO.

4. FORD. IN LAST THREE MONTHS, FORD ASIA HAS SHOWN MORE FLEXIBILITY RE INVESTMENT IN INDONESIA. HIGH EXECUTIVE WAS HERE IN FEBRUARY. IN INFORMAL DISCUSSIONS WITH GOI, LIMITED OFFICIAL USE

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HE AGREED IN PRINCIPLE TO LEAVE ASSEMBLY TO INDONESIAN COMPANY AND GO INTO JOINT VENTURE WITH IRMC FOR MANUFACTURE OF FORD ASIAN CAR (FIERA). GORDON WHTHELL (SEE PARA 3, REF D - JAKARTA 12240) COMING JAKARTA MID- MAY REPORTEDLY WITH DOCUMENTS, INCLUDING INITIAL INVESTMENT APPLICATION (FORM A) FOR FIERA MANUFACTURE. DIR- GEN

BASIC INDUSTRY SUHARTOJO CONFIRMED ABOVE TO COMATT LAST WEEK.

5. GENERAL MOTORS. ALSO, GENERAL MOTORS EXECUTIVES HAVE BEEN HAVING QUIET NEGOTIATIONS WITH GOI DURING LAST SEVERAL MONTHS RE INVESTMENT POSSIBILITY. WE UNDERSTAND GM CONSIDERING " MANUFACTURING" AND LEAVING ASSEMBLY TO INDONESIAN COMPANIES.
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